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### Thinking of Sylos Labini (or Sylos Labini's Thinking)

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# *Thinking of Sylos Labini (or Sylos Labini's Thinking)*

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**ABSTRACT** *This note reflects upon the methodological principles that Paolo Sylos Labini (1920–2005) brought to his work as a political economist. Sylos Labini drew upon history, political science, sociology and philosophy in order to explain economic processes, and he insisted that an interdisciplinary approach was essential to formulating effective policy responses to modern social problems.*

Paolo Sylos Labini died on 7 December 2005 at the age of 85. Ten years before, Kurt Rothschild (1995, p. 591) wrote that 'Sylos Labini's work both as a theorist and as an adviser and admonisher in policy matters . . . is indeed an original and fundamental challenge to our basic approaches to economic theory.' The aim of this brief tribute is to commemorate this challenge by recalling the main characteristics of the 'Sylosian' or 'Labinian' approach.

Economic theorists are often divided into different schools: classical, Ricardian, Marxian, Schumpeterian, Keynesian, Sraffian and all the neo- and post- combinations connected with them. Sylos Labini cannot be easily classified under any of these labels: he had an extraordinary capacity to make use of elements from various schools and fit them together to better deal with a complicated and ever-changing economic reality; the various approaches were for him tools to be used creatively, combining them with his own ideas and testing them empirically.

Sylos's research programme takes to heart Schumpeter's dictum that good economics must encompass history, economic theory and statistics, and therefore does not generally take the form of elegant formal models that are applicable to all and everything. Theoretical models, econometric and statistical analyses are crystallizations that enable us to order and compare alternative developments and keep us in touch with reality; but they should not be allowed to take on a life of their own or to dominate discourse, which has to make allowance for institutional factors and dynamic developments.

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In the Spring of 2005, I invited Paolo Sylos Labini to speak with my students about 'The Job of the Economist.' He and I selected background readings for the students. With that material in mind, along with the personal recollections of friends and students that I have gathered after Sylos Labini's death, I will attempt in this note to set out a sort of Decalogue for Economists, which I offer up for debate. It is not my intention to provide an exhaustive representation of the full breadth of Sylos Labini's multifaceted thinking—an impossible task—but to give a balanced account of his views on how to practice economics.

## 1. Economics and Ethics

Let us start (as Sylos Labini often did) with the classics. John Stuart Mill (1866, p. 306) wrote that a person 'is not likely to be a good political economist who is nothing else.' Paolo Sylos Labini surely met this condition. He never fretted much about overstepping the boundaries of economics; indeed he welcomed 'cross-fertilization' with fields ranging from history, to philosophy, sociology, mathematics, statistics, demographics and the natural sciences.<sup>1</sup>

In this, he saw himself as following in the tradition of Adam Smith, whom 'everyone knows and few have actually read':

Before becoming an economist, Smith was a philosopher, and his civic sense was imbued with the secular morality that he expressed in his treatise the *Theory of Moral Sentiments*, which everyone should read.

Smith's morality hinges on the idea of everyman's need for self-esteem. He remained a moral philosopher, even when he decided to become an economist. And, as is usually the case with the important things in life, he became an economist by chance: he was asked to teach a class.

His *idée fixe* was that legal and moral borders must stand firm. In part, they will coincide, in part, moral borders will go beyond the letter of the law. Adam Smith marked a turning-point with respect to the older tradition of mercantilists and advisers to the Prince. The advisers' concern was the power of the kingdom. . . . For Adam Smith instead the well being of persons was the lodestone and the main subject of study. . . . But growth of personal income as a goal is not an end unto itself, rather it is an instrument for civil development. . . . And civil development is enabled only by following the moral and legal norms which Adam Smith had already set out in the *Theory of Moral Sentiments*,

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<sup>1</sup>See Sylos Labini (1989, pp. 9–10): 'To clarify the close relations of the different social sciences a metaphor may be useful. These sciences may be seen as concentric circles in which economics has one of the shortest radii. The radius of sociology is longer, because it encompasses economics. Then there is law, the study of institutional and contractual structures, legal studies in a broad sense, which supports all economic and social activity, both domestic and international. Then political science and so on. Demographics is in a complementary position to economics, as the latter studies the ways and means and organizational arrangements through which people obtain and exchange among themselves the goods they desire, while demographics studies the movements of human aggregates and their composition, starting with the factors regulating birth and death rates.'

and put forward again in various ways in his writings on economics. (Sylos Labini, 2002, pp. 4–5)<sup>2</sup>

The ethical make-up of a researcher is important because, whereas ‘a microbiologist studies microbes, without being one, an economist studies the economic life of societies, while being at the same time a member of those societies’ (Sylos Labini, 1979, p. 8). Thus, an economist is necessarily influenced by his or her own personal judgement, which determines, at a minimum, the choice of problems studied and which may also skew the outcome of analysis. That is why it is vital for an economist to be acutely conscious of the responsibility to study society for the sake of promoting progress—the economic, social and civil progress of society—and not one’s own personal interest.

## 2. Economics and Politics

Sylos Labini’s engagement in politics thus appears to grow naturally out of his understanding of the work of the economist. And while his ‘political’ statements certainly intensified in the last years of his life, they had been a frequent and important feature of his writing throughout previous decades.

In his last book *Ahi serva Italia* (2006) Sylos Labini spoke as a civic-minded economist to all those Italians who refuse to understand that respect for the rules is an absolute requirement of a market economy, and, in particular, that a market economy needs rules to defend the community against the unbridled expansion of positions of power (as Adam Smith had explained, referring to the East India Company). Moreover, Sylos Labini argued, capitalism cannot function without a widespread moral sentiment which condemns the breach of rules.

Once, when we were conversing on this subject, Sylos Labini had me read a beautiful excerpt from Gaetano Salvemini. Referring to his instructors at the Istituto di Studi Superiori Pratici e di Perfezionamento in Florence, Salvemini wrote:

Almost all of those old teachers belonged to a school of thought which today is viewed disparagingly as positivistic, enlightened, intellectualist. Their culture, and ours, was narrow, dry, and down-to-earth, inept when it came to rising to the lofty skies of intuitionism and idealism. In those times of unelevated culture, we were clearly split into believers or non-believers, the pro- or anti-clerical, conservatives or revolutionaries, monarchists or republicans, individualists or socialists. White was white and black was black. White was good and black was bad. With us or against us. When we poor little empirical sparrows ended up in the clutches of the idealist eagles and were devoured, white became half-black and black half-white, good half-bad and bad half-good, the scoundrel was half a gentleman and the gentleman was half a scoundrel. Today, in Italy, the clerics are half-communists and the communists half-clerics.

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<sup>2</sup>See Sylos Labini (1994) for his thoughts on Smithian ethics. Sylos Labini returned many times to the theme of self-esteem in his writings and lectures. He believed that ‘Truth alone can free those today who do not want to be enslaved but who end up being so unwittingly, paralyzed by their resigned weariness. A condition that I attribute not only to our Machiavellian cynicism, but also to something even worse: a serious lack of self-esteem, as Adam Smith would say or widespread contempt for oneself, as I would put it’ (Sylos Labini, 2005, p. ix).

The same lamps that light the Communist celebrations serve in the pilgrimages of the Blessed Virgin. It is the Tower of Babel. As for myself, I have remained anchored, or if you prefer, aground there where my teachers had first led me: an odd boulder left behind on some plain by a receding glacier. (Salvemini, 1950, p. 87)<sup>3</sup>

### 3. Method in Economics

As Pierluigi Ciocca (2006) has observed in his obituary of Sylos Labini,

there are many ways of being an economist. There is room for everyone in the Great Book of Economics: the abstract and the practical, the static and the dynamic, generalists and specialists, ground-breakers and acolytes, new ideas and new algorithms reiterating old ideas. Because of his morality, which was also very much a cultural matter, Sylos Labini eschewed the hunt for the palin-genetic theorem, or the dressing up of well-worn theorems in a different language, or the irrelevant vis-à-vis society's pressing issues. In terms of method, he was brilliantly placed at the intersection of theory, history, method and interdisciplinary studies. Relevance: the relevance of the problems to be solved, more than familiarity with well-tested tools, was his criterion for the choice of the subject to be studied.

Sylos Labini believed in the two *Rs* of economic research: *Rigor* and *Realism*; and he never thought that pursuing one should mean giving up on the other. If a theoretical construct does not allow for the combination of rigor and realism, then it is the theoretical construct that must be discarded, and not one of the two *Rs*.

A theory should be internally consistent, but it must also capture the essential characteristics of that part of reality that is being studied. It is true that all models involve some degree of abstraction, and the debate over how much and what sort of abstraction is appropriate is a difficult one. Often the answer will not be as unambiguous as the answers that can be given to questions pertaining to the internal consistency of models. On this point, Roncaglia (2007, p. 6) reminds us that:

Adam Smith, of whom Sylos Labini was so fond, had an answer that can serve in our case too, namely the rhetorical method: the arguments for and against a thesis are expounded first, and then the researcher should decide (just like a judge after having heard the prosecutor and the defence in an adversarial procedure) in a serious, unbiased, selfless and not self-serving way. Now, this

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<sup>3</sup>This is from the proslution to a course in Modern History which Salvemini gave in 1949–50 at the University of Florence after 24 years of exile and which was published in *Il Ponte* in February 1950. When the piece was republished in 1994, Sylos Labini offered these reflections in an accompanying comment: 'At a time in which the so-called values of conventional morality have fallen apart wretchedly and in which everyone talks about the "ethical problem", it is good to reflect on the world-view that a great non-conventional moralist, Salvemini, propounded in an anecdotal way in his proslution to the course in Modern History in the year 1949–50. ... These pages are worthy of Socrates and, if we wish, of Adam Smith in the *Theory of Moral Sentiments*. Today, the dominant notion is that of the hedonism of the *petite bourgeoisie*: Salvemini's outlook is at the antipodes' (see Salvemini, 1950, p. 69).

is predicated on two things: first, the role played by 'philological' work, which is part of the history of thinking, in the elucidation of the conceptual foundations of theoretical conjectures in economic theory debate; second, the morality of the judgement of the economist who must choose between opposing theses.

#### 4. The Economist as a Social Scientist

In a discussion about rigorous method with Sylos Labini, the subject of the relationship of economics and mathematics would inevitably arise. He loved to quote this quip from Bruno De Finetti: 'I have often thought that not always, but often, applying mathematics to economics means making the easy difficult by means of the useless' (Sylos Labini, 2002, p. 11).<sup>4</sup> Further insight into Sylos Labini's thinking on this topic is provided by an examination of his role in the drafting of a letter on 'Economics as Doctrines of Society', which was published in the *Journal of Australian Political Economy* in 1989 (Becattini *et al.*, 1989).

The letter was originally sent to the Editor of *La Repubblica*, one of Italy's most influential daily newspapers, on 30 September 1988. Although the letter was signed by seven economists, including Sylos Labini, Giacomo Becattini and Siro Lombardini, it was essentially written by Giorgio Fuà. As Becattini (2006, p. 3) recently recalled, 'the letter cast three stones in the discipline's pond: a) that economists should not shirk the duty of answering the sort of questions that ordinary people ask; b) that the formalist niceties of advanced analyses should not be swallowed wholesale without a healthy dose of scepticism and c) that our colleagues the economists were urged to rally behind the banner of concreteness and social responsibility that was raised by the letter, and modify the teaching of economics and the evaluation criteria used by economists in that light.'

Let us look a little closer at the three points in question. On the first point, the letter says that 'the masters who in the past developed this branch of studies devoted their thoughts to the broad problems of the societies in which they lived. In so doing they gave to their teachings a form and a content which could enlighten matters related to civil consciousness and political action.' This assertion was not intended as a snub to the 'minor' issues of businesses and households—the beating heart of textbook microeconomics; it simply underscored that studying these issues, like all others, should lead to engagement with the 'broad problems' of society. But who is to decide what the 'broad problems' are? As the letter argues, the economist does not have the tools required to identify with adequate precision the unresolved issues in the intricate conformation of societies. For instance, that the underdeveloped South of Italy—the Mezzogiorno—is that country's most significant unresolved issue, and one which in turn is connected to a complex chain of other problems, both economic

<sup>4</sup>Sylos Labini did not deny the value of theoretical models. Once a hypothesis is worked out on the basis of concrete factual premises, then, according to Sylos, a theoretical model should be developed, using mathematics when appropriate: 'there is no contradiction between history and mathematics and [the use of mathematics] is recommended, as long as it ... meets real analytical needs' (Sylos Labini, 2005, p. 189).

and non-economic, is a conclusion that only a 'political' economist like Sylos Labini is likely to draw:

I am a Southerner, and, as such, I may legitimately criticize my fellow Southerners without being suspected of racism. The problem of the Mezzogiorno is increasingly one of civil progress, because the economic situation, which used to be bad, is much less so today. But, unfortunately, there has been a divorce and civil development now lags behind the growing economy. It is simply not enough to take into account economic indicators, such as per capita income, on their own: social indicators must be tallied too. . . . And then there is the Mafia, which is not only a criminal fact, it is also a political fact and a serious obstacle to civil development. . . . Moreover, immigration has become an increasingly relevant issue. So that today, in speaking of the South, it is more these social and civil aspects, and less the economy, that lead us to evoke the Mezzogiorno question. (Sylos Labini, 2002, pp. 15–16)<sup>5</sup>

Now, let us move on to the second point in the letter: 'a growing fraction of those who present themselves as economists tend to neglect the social object of the discipline in order to focus exclusively on the study of increasingly refined analytical tools.' Sylos Labini's view on the relationship of economics and mathematics has already been mentioned, but it may be useful to call to mind his idea of 'economic laws':

All societies evolve in history, which consists in irreversible processes, so that all interpretive schemes in social sciences are historically determined. This is, of course, equally true for the theoretical models of the economy. . . . The logical validity of the models (granted that there is one) will persist, but their interpretive efficacy is relatively short-lived, as it is conditioned by the realism of the hypothesis. So there are no immutable laws in economics as there are—apparently—physics. Whenever, we set out with a few axioms to interpret certain aspects of economic reality, we may identify regularities, which have a probabilistic nature, based on large number series. These regularities are historically determined, in the sense that they are true as long as certain structural characteristics of the society under study persist—when these characteristics change over time, so do the regularities. (Sylos Labini, 1989, pp. 9–10)

However the most critical point in the letter was the third one. Drawing the consequences from the first two, an appeal was addressed to the middle generation of 'young scholars,' urging them to 'transmit [to their students] a vision of economics as a discipline having both social content and social responsibilities.' Regarding the specific content of economic analysis (neoclassical, classical or other) nothing was said; all that was affirmed was that the

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<sup>5</sup>On the indicators of social development, Sylos Labini (1985, p. 456; cf. also Sylos Labini, 1986) writes that 'there are certain structures—such as schools, research, health care, judiciary, penitentiaries,—and there are certain mechanisms—such as judicial proceedings—which through an adequate analysis may provide indications, albeit fragmentary and limited, of the degree of civil development.'



teacher of economics should help students understand the social implications of various theoretical hypotheses. As Becattini (2006, p. 6) stressed, 'this means making the effort to place economic theorems as they are illustrated not in some imaginary and purposeful fabrication of a world but against the backdrop of the historic particularities, ugly or attractive, grim or rosy, as the case may be, of the society in which we live. If this is not done, the student will likely infer that the orderly world posited by the teacher for the sake of teaching is the real world. If this is not done, the student may also infer that the orderly world posited by models is the real world. Or worse, the only possible world.'

## 5. Epilogue

I would like to conclude by summarizing Sylos Labini's thinking in the form of a Decalogue:

1. Ethics and economics shall never be divorced.
2. Every economic model is historically determined.
3. Economics shall not be disjoined from other disciplines (sociology, law, politics, etc) which integrate its analysis of society's problems.
4. Economics and demographics are complementary in the analysis of economic development.
5. Economic analysis must always be *rigorous*.
6. Mathematics shall be used 'as needed.'
7. Economists shall study *relevant* subjects.
8. Economists shall offer opinions and defend them.
9. Teachers of economics shall consider the social implications of the propositions they put forth.
10. The goal of the economist shall be to promote civil development.

There is room for ample discussion on each of these assertions. I would like to end by quoting Sylos Labini's words about the search for profit, one of the cornerstones of economic theory:

Search for profit is a good thing if it is not harmful and indeed it enables civil development. Smith himself said, with words both deep and beautiful: 'What can be added to the happiness of the man who is in health, who is out of debt, and has a clear conscience?' Any desire for more is nothing but the result of 'frivolous wishes'. ... Nor have I, personally, ever had the passion of making money, not even when I had little. Because dedicating oneself to making money is a full-time occupation, or almost, and I have always thought that it was more interesting to study, think and write papers. Because, as Keynes used to say, the economist should throw his pamphlets to the wind in the hope that someone may pick them up and that they may have an impact on reality. I have never been keen on studying corporate balance sheets and market trends. I have always tried to combine theoretical analysis and social engagement instead. (Sylos Labini, 2002, p. 5)



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